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## **U.S. Shipper UPS Withdraws Ground Service in Mexico**

*by LADB Staff*

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In what is considered somewhat of a setback for the North American Free Trade Agreement (NAFTA), the US-based shipper United Parcel Service (UPS) eliminated its cross-border delivery service in Mexico. In a letter to clients, the company complained that "burdensome customs procedures and protectionist regulatory practices" made UPS ground service to Mexico "inefficient and costly to operate."

Gina Ellrich, a spokeswoman at UPS headquarters in Atlanta, cited two fundamental problems that led to the decision to eliminate ground service to Mexico. The first problem, she said, was the requirement that Mexican customs officials visually inspect every package that enters the country. "In cases where you have 20 identical items in exactly the same package, customs officers open every package instead of opening just one sample," she said. "This is inefficient and costly."

Ellrich said the other problem was the Mexican government's extensive delay in drafting a system of regulations that would permit longer US trucks to travel into Mexico. She said terms negotiated under a transportation section of the North American Free Trade Agreement (NAFTA) allow large US tractor-trailers to travel into Mexico. "Under existing procedures, we are only allowed to transfer packages to Mexican carriers, who would then transport them to the interior of the country," she said. "This has increased our costs." The company said it had absorbed the increased costs since the service was initiated in 1993, hoping the regulatory issues could be resolved. "Unfortunately there is no solution in sight," the letter said, "and we cannot predict when or if these conditions will change." UPS said its "UPS Express" and "UPS Expedited" service to Mexico would not be affected by the decision. UPS uses airplanes to deliver these packages to Mexico. Once at the appropriate airport, the packages are shipped in small trucks to their final destination.

Meantime, a spokesperson for Federal Express said the company supports the UPS complaint about excessive regulation by the Mexican government even though Federal Express does not offer ground transportation to Mexico. "The Mexican government's regulations affect all our industry, and all of us need to jointly find a solution to the problem," said the spokesperson. Aaron Dichter, a deputy secretary with Mexico's Communications and Transportation Secretariat (SCT) told the New York Times he was surprised at the UPS decision. He said Mexico had recently drafted legislation to address the concerns about truck size. "They will be able to use the type of vehicle they want," he said. "We had to do it to comply with NAFTA."

In April of this year, US Trade Representative Mickey Kantor filed a complaint about Mexico's trucking laws before a NAFTA dispute panel. The complaint was filed on behalf of UPS, Federal Express, and other couriers (see SourceMex, 05/10/95). The panel has yet to issue a decision. US administration officials had the option of taking the issue a step further by pushing the case to arbitration, but decided to delay any such action while talks with the Mexican government continue. Still, administration officials said they will continue to seek better treatment in Mexico for shipping

companies such as UPS, Federal Express, and DHL. (Sources: Associated Press, Wall Street Journal, 07/12/95; New York Times, 07/13/95)

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